

Message Text

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PAGE 01 KATHMA 01811 181153Z

41

ACTION OPIC-06

INFO OCT-01 NEA-09 ISO-00 EB-07 /023 W

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R 181000Z APR 75

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 1450

UNCLAS KATHMANDU 1811

E.O. 11652: N/A

TAGS: EINV, NP

SUBJECT: US INVESTMENT IN NEPAL MAGNESITE DEPOSIT

REF: STATE 064174

1. EMBASSY E/C OFFICER CALLED ON M.N. RANA, DIRECTOR OF GON BUREAU OF MINES, TO ASCERTAIN STATUS OF KAHRIDHUNGA MAGNESITE PROJECT. RANA REPORTED THAT PROPOSALS OF ORISSA INDUSTRIES AND ORISSA CEMENT (WITH WEST GERMAN PARTICIPATION) FOR EXPLOITATION OF DEPOSIT HAVE BEEN FORWARDED TO MINISTER OF COMMERCE AND INDUSTRY WHO WILL MAKE FINAL DECISION. DECISION WILL IN PART BE DETERMINED BY PARTICIPATION OF FOREIGN FIRMS.

2. IN THE COURSE OF THE CONVERSATION RANA COMPLAINED THAT DEVELOPMENT OF DEPOSIT HAD BEEN DELAYED BY TACTICS OF HARBISON-WALKER. AS RANA EXPLAINED SITUATION, HARBISON-WALKER HAD PROMISED TO PROVIDE RESULTS OF ANALYSIS THAT IT WAS CONDUCTING ON MAGNESITE SAMPLES FROM THE KHARIDHUNGA DEPOSIT TO GON. (FYI: DURING VISIT TO KATHMANDU, O.M. WICKEN OF HARBISON-WALXR HAD CONFIRMED TO EMBASSY OFFICER THAT RESULTS OF TESTS WOULD BE GIVEN TO GON.) HARBISON-WALKER HAD INDICATED THAT REPORT WOULD BE FINISHED AND GIVEN TO GON BY OCTOBER, 1974. GON HAS SUBSEQUENTLY SENT NUMEROUS CABLES AND LETTERS TO HARBISON-WALKER REQUESTING REPORT AND HAS NOT RECEIVED ANY REPLY. RANS SAYS THAT UNAVAILABILITY OF TESTS RESULTS HAS PREVENTED GON FROM MAKING NECESSARY DECISIONS REGARDING DEVELOPMENT OF DEPOSIT.

UNCLASSIFIED

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PAGE 02 KATHMA 01811 181153Z

3. RANA FURTHER REPORTED THAT HE HAD BEEN TOLD BY WICKEN THAT HARBISON-WALKER WAS INTERESTED IN FINANCIAL PARTICIPATION IN KHARIDHUNGA DEPOSIT, BUT THAT MAGNITUDE OF INVESTMENT WOULD DEPEND ON TEST RESULTS. IN ANY EVENT, HARBISON-WALKER HAD INDICATED, ACCORDING TO RANA, THAT IT WOULD BE WILLING TO MAKE A TOKEN INVESTMENT. AWARE OF HARBISON-WALKER'S PRE-EMINENCE IN MWWNESITE FIELD, GON HAD PUT OFF OTHER POTENTIAL INVESTORS, SINCE IT ASSUMED THAT SOME FORM OF PARTICIPATION BY HARBISON-WALKER, EVEN IF TOKEN, WAS ASSURED. RANA IS UPSET OVER TIME THAT HAS BEEN LOST AND HAS NOW CONCLUDED THAT HARBISON-WALKER IS NOT INTERESTED IN ANY TYPE OF FINANCIAL PARTICIPATION, ALTHOUGH LAST OFFICIAL COMMUNICATION FROM HARBISON-WALKER ON NOVEMBER 11 INDICATED HARBISON-WALKER WAS PREPARED TO MAKE SMALL INVESTMENT IN DEPOSIT IN COLLABORATION WITH ORISSA INDUSTRIES. NEVERTHELESS, GON DOES EXPECT HARBISON-WALKER TO COMPLY WITH ITS PROMISE TO PROVIDE RESULTS OF ANALYSIS OF MAGNESITE SAMPLES.

4. ACTION REQUESTED: DRAWING ON ABOVE, WE HOPE DEPT WILL DISCUSS SITUATION WITH HARBISON-WALKER STRESSING GON'S URGENT NEEDS FOR TEST RESULTS. EMBASSY WOULD LIKE TO BE INFORMED WHEN RESULTS WILL BE FORWARDED SO THAT WE CAN RELAY INFORMATION TO GON. IT WOULD ALSO BE HELPFUL IF HARBISON-WALKER WOULD ADVISE GON OF ITS INTENTIONS REGARDING FINANCIAL PARTICIPATION, GIVEN INCONSISTENCIES BETWEEN PROPOSAL CONTAINED IN NOV 11 LETTER INDICATING HARBISON-WALKER WAS PREPARED TO MAKE SMALL INVESTMENT AND INFORMATION CONTAINED REFTEL WHICH SUGGESTS THAT HARBISON-WALKER IS NOT NOW INTERESTED IN ANY INVESTMENT AT ALL.

65. IN VIEW PERSONAL INTEREST IN THIS PROJECT EXPRESSED BY OPIC PRESIDENT MARSHALL MAYS DURING HIS VISIT TO NEPAL, WE REQUEST THAT HE BE INFORMED OF THESE DEVELOPMENTS.
CARGO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MAGNESIUM, FOREIGN INVESTMENTS, MINERALS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KATHMA01811
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750136-0748
From: KATHMANDU
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750439/aaaabjve.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 064174
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUL 2003 by maginmm>; APPROVED <02 FEB 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US INVESTMENT IN NEPAL MAGNESITE DEPOSIT
TAGS: EINV, NP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006